

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 27, 2010
POSITION: Oppose

BILL NUMBER: AB 1981
AUTHOR: J. Hill

BILL SUMMARY: Recycling: Waste Tires: Fees

Existing law establishes the California Tire Fee (Tire Fee) levied on every new tire sold in California including new tires sold with a new or used vehicle. This bill would exclude new and used cars from the Tire Fee and instead would levy the California Vehicle Tire Fee (Vehicle Tire Fee) on every purchased or leased new car sold by a new car dealer.

FISCAL SUMMARY

The bill would rework the existing fee schedule that provides revenue for the Tire Recycling Management Fund (TRMF). Currently, a new vehicle with five new tires (including the spare) is charged the Tire Fee rate of \$1.75 per tire, or \$8.75 total. The bill would, instead, charge the Vehicle Tire Fee of \$9.50 for all new vehicles sold by a new vehicle dealer, an increase of \$0.75. However, a new vehicle dealer would no longer pay a fee for new tires sold on used vehicles. Tires purchased individually or on used vehicles sold by used vehicle dealers would continue to pay the current Tire Fee. It is not known if the increased per car rate paid by new vehicle dealers on new cars would provide enough revenue to offset the lost revenue from not charging a fee for used cars.

COMMENTS

The Department of Finance (Finance) is opposed to the bill because it is unnecessary and could lead to a revenue shortfall in the TRMF. Additionally, the bill would lead to a disproportionate application of a fee across various fee payers for the same item.

The bill would streamline fee collection for new vehicle dealers who currently must determine if a vehicle has a spare tire subject to the fee, and on used vehicles, whether any new tires were installed prior to sale. However, the bill would complicate current collection practices through the Board of Equalization, possibly leading to more administrative overhead. Additionally, the bill would require the Department of Resources Recycling and Recovery to implement two separate tire tracking systems.

Outside of the payment of fee revenue for new vehicle dealers, this bill does not identify or address any programmatic issues with the used tire program. The bill would result in an unequal fee burden, uncertain revenue, and additional administrative costs without providing any positive program enhancements. As such, Finance believes that this bill is unnecessary.

Analyst/Principal (0622) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AB 1981

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
1254/EnvmntlHazrd	RV	No		-----	See Fiscal Analysis	-----			0226
<u>Fund Code</u>	<u>Title</u>								
0226	Tire Recycling Management Fund, Calif								